

104<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 425

To amend the Internal Revenue Code of 1986, the Public Health Service Act, and certain other Acts to provide for an increase in the number of health professionals serving in rural areas.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 5, 1995

Mr. CLINGER introduced the following bill; which was referred to the Committee on Ways and Means and, in addition, to the Committees on Commerce and Economic and Educational Opportunities, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To amend the Internal Revenue Code of 1986, the Public Health Service Act, and certain other Acts to provide for an increase in the number of health professionals serving in rural areas.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Rural Health Professional Shortage Act of 1995”.

1 (b) TABLE OF CONTENTS.—The table of contents for  
 2 this Act is as follows:

- Sec. 1. Short title; table of contents.  
 Sec. 2. Findings.

**TITLE I—TAX INCENTIVES REGARDING RURAL HEALTH CARE**

- Sec. 101. National Health Service Corps loan repayments excluded from gross income.  
 Sec. 102. Deduction for medical education loan interest incurred by health professionals serving in medically underserved rural areas.  
 Sec. 103. Nonrefundable credit for certain primary health services providers.  
 Sec. 104. Expensing of medical equipment.

**TITLE II—PUBLIC HEALTH SERVICE PROGRAMS REGARDING RURAL HEALTH CARE**

Subtitle A—National Health Service Corps

PART 1—GENERAL CORPS PROGRAM

- Sec. 201. Designation of health professional shortage areas.  
 Sec. 202. Funding for special loans for former Corps members to enter private practice in health professional shortage areas.  
 Sec. 203. Assignment of Corps personnel; priority for rural medical facilities providing experience regarding health professions as career choice.

PART 2—SCHOLARSHIP AND LOAN REPAYMENT PROGRAMS

- Sec. 211. Provision regarding increase in funding.  
 Sec. 212. Priority for certain individuals from rural backgrounds.

PART 3—LOW-INTEREST LOANS REGARDING OBLIGATED SERVICE IN UNDERSERVED RURAL AREAS

- Sec. 221. Establishment of program of loans.

Subtitle B—Other Programs Regarding Rural Health Care

- Sec. 231. State offices of rural health.  
 Sec. 232. Area health education center programs; authorization of appropriations.

**TITLE III—PROVISIONS RELATING TO THE MEDICARE PROGRAM**

- Sec. 301. Elimination of application of geographic adjustment indices in determining payments for physicians' services.  
 Sec. 302. Exemption from anti-kickback penalties for certain financial incentives provided to physicians by rural hospitals.  
 Sec. 303. Extension of bonus payment for physician services provided in health professional shortage areas to certain nonphysician providers and other medicare-dependent providers.

**TITLE IV—TREATMENT OF STUDENT LOANS FOR HEALTH PROFESSIONALS**

Sec. 401. Loans under Higher Education Act of 1965; deferments regarding postgraduate primary-care programs in underserved rural areas.

**1 SEC. 2. FINDINGS.**

2 The Congress finds as follows:

3 (1) For the 27 percent of Americans living in  
4 rural areas, access to adequate medical care is some-  
5 times limited by the lack of health professionals  
6 serving in rural areas.

7 (2) The maldistribution of health professionals  
8 is reflected by the shortages in rural areas of pri-  
9 mary care physicians, nurse practitioners, physician  
10 assistants, nurse midwives, registered nurses, den-  
11 tists, mental health practitioners, and allied health  
12 professionals.

13 (3) Average per capita incomes for health pro-  
14 fessionals practicing in rural areas fall below those  
15 of professionals in urban areas.

16 (4) The high costs of graduate medical edu-  
17 cation and malpractice insurance make health pro-  
18 fessionals very sensitive to income considerations,  
19 and the lower earnings potential in rural areas dis-  
20 courages graduates with high debt loads from set-  
21 tling in rural areas.

1           (5) Rural physicians generally serve a higher  
2 ratio of medicare, medicaid, and uninsured patients,  
3 and consequently must rely on often inadequate re-  
4 imbursements from the Federal Government.

5           (6) Medicare reimburses rural physicians less  
6 than urban physicians for the same services, which  
7 is a disincentive for young physicians contemplating  
8 moving to and practicing in rural areas.

9           (7) Because rural providers are often isolated  
10 from colleagues, they cannot rely on them for con-  
11 sultations and second opinions, and must work long  
12 hours, many of which are “on call”, often with little  
13 professional support.

14           (8) Health professionals tend to practice in  
15 areas close to where they were trained, and most  
16 academic medical institutions and teaching hospitals  
17 are located in urban and suburban locales.

18           (9) Health professionals prefer working with  
19 emerging, state-of-the-art technology that many  
20 rural hospitals cannot afford.

21           (10) Health professionals serving in remote  
22 rural communities do not have access to medical li-  
23 braries or continuing medical education.

24           (11) Any health care reform package adopted  
25 by the Congress must include provisions that im-

1       prove the supply and distribution of health profes-  
2       sionals in rural areas.

3       **TITLE I—TAX INCENTIVES RE-**  
4       **GARDING RURAL HEALTH**  
5       **CARE**

6       **SEC. 101. NATIONAL HEALTH SERVICE CORPS LOAN REPAY-**  
7       **MENTS EXCLUDED FROM GROSS INCOME.**

8       (a) IN GENERAL.—Part III of subchapter B of chap-  
9       ter 1 of the Internal Revenue Code of 1986 (relating to  
10       items specifically excluded from gross income) is amended  
11       by redesignating section 137 as section 138 and by insert-  
12       ing after section 136 the following new section:

13       **“SEC. 137. NATIONAL HEALTH SERVICE CORPS LOAN RE-**  
14       **PAYMENTS.**

15       “(a) GENERAL RULE.—Gross income shall not in-  
16       clude any qualified loan repayment.

17       “(b) QUALIFIED LOAN REPAYMENT.—For purposes  
18       of this section, the term ‘qualified loan repayment’ means  
19       any payment made on behalf of the taxpayer by the Na-  
20       tional Health Service Corps Loan Repayment Program  
21       under section 338B(g) of the Public Health Service Act.”.

22       (b) CONFORMING AMENDMENT.—Paragraph (3) of  
23       section 338B(g) of the Public Health Service Act is  
24       amended by striking “Federal, State, or local” and insert-  
25       ing “State or local”.

1 (c) CLERICAL AMENDMENT.—The table of sections  
2 for part III of subchapter B of chapter 1 of the Internal  
3 Revenue Code of 1986 is amended by striking the item  
4 relating to section 137 and inserting the following:

“Sec. 137. National Health Service Corps loan repayments.  
“Sec. 138. Cross references to other Acts.”.

5 (d) EFFECTIVE DATE.—The amendments made by  
6 this section shall apply to payments made under section  
7 338B(g) of the Public Health Service Act after the date  
8 of the enactment of this Act.

9 **SEC. 102. DEDUCTION FOR MEDICAL EDUCATION LOAN IN-**  
10 **TEREST INCURRED BY HEALTH PROFES-**  
11 **SIONALS SERVING IN MEDICALLY UNDER-**  
12 **SERVED RURAL AREAS.**

13 (a) IN GENERAL.—Paragraph (1) of section 163(h)  
14 of the Internal Revenue Code of 1986 (relating to dis-  
15 allowance of deduction for personal interest) is amended  
16 by striking “and” at the end of subparagraph (D), by re-  
17 designating subparagraph (E) as subparagraph (F), and  
18 by inserting after subparagraph (D) the following new  
19 subparagraph:

20 “(E) any qualified medical education loan  
21 interest (within the meaning of paragraph (5)),  
22 and”.

23 (b) QUALIFIED MEDICAL EDUCATION LOAN INTER-  
24 EST DEFINED.—Subsection (h) of section 163 of such

1 Code is amended by redesignating paragraph (5) as para-  
2 graph (6) and by inserting after paragraph (4) the follow-  
3 ing new paragraph:

4           “(5) QUALIFIED MEDICAL EDUCATION LOAN IN-  
5           TEREST.—

6                   “(A) IN GENERAL.—The term ‘qualified  
7           medical education loan interest’ means inter-  
8           est—

9                           “(i) which is on a medical education  
10           loan of a health professional,

11                           “(ii) which is paid or accrued by such  
12           health professional, and

13                           “(iii) which accrues during the pe-  
14           riod—

15                                   “(I) such health professional is  
16           providing care to residents of a medi-  
17           cally underserved rural area, and

18                                   “(II) such health professional’s  
19           principal place of abode is in such  
20           area.

21           In the case of a health professional who is a  
22           physician, the requirement of clause (iii)(I)  
23           shall be met only if such physician is providing  
24           primary care (including internal medicine, pedi-

1           atrics, obstetrics/gynecology, family medicine,  
2           and osteopathy) to such residents.

3           “(B) MEDICAL EDUCATION LOAN.—For  
4           purposes of subparagraph (A), the term ‘medi-  
5           cal education loan’ means indebtedness incurred  
6           to pay the individual’s—

7                   “(i) qualified tuition and related ex-  
8                   penses (as defined in section 117(b)) in-  
9                   curred for the medical education of such  
10                  individual, or

11                  “(ii) reasonable living expenses while  
12                  away from home in order to attend an edu-  
13                  cational institution described in section  
14                  170(b)(1)(A)(ii) for the medical education  
15                  of such individual.

16           “(C) HEALTH PROFESSIONAL.—For pur-  
17           poses of subparagraph (A), the term ‘health  
18           professional’ means any physician, physician as-  
19           sistant, nurse practitioner, nurse clinician,  
20           nurse midwife, and allied health professional.

21           “(D) PHYSICIAN.—For purposes of this  
22           paragraph, the term ‘physician’ has the mean-  
23           ing given such term by section 1861(r)(1) of  
24           the Social Security Act.



1 amended by inserting after section 25 the following new  
2 section:

3 **“SEC. 25A. PRIMARY HEALTH SERVICES PROVIDERS.**

4 “(a) ALLOWANCE OF CREDIT.—In the case of a  
5 qualified primary health services provider, there is allowed  
6 as a credit against the tax imposed by this chapter for  
7 any taxable year in a mandatory service period an amount  
8 equal to the product of—

9 “(1) the lesser of—

10 “(A) the number of months of such period  
11 occurring in such taxable year, or

12 “(B) 36 months, reduced by the number of  
13 months taken into account under this para-  
14 graph with respect to such provider for all pre-  
15 ceding taxable years (whether or not in the  
16 same mandatory service period), multiplied by

17 “(2) \$1,000 (\$500 in the case of a qualified  
18 primary health services provider who is a physician  
19 assistant or a nurse practitioner).

20 “(b) QUALIFIED PRIMARY HEALTH SERVICES PRO-  
21 VIDER.—For purposes of this section, the term ‘qualified  
22 primary health services provider’ means any physician,  
23 physician assistant, nurse practitioner, nurse clinician, or  
24 nurse midwife who for any month during a mandatory

1 service period is certified by the Bureau to be a primary  
2 health services provider who—

3 “(1) is providing primary health services—

4 “(A) full time, and

5 “(B) to individuals at least 80 percent of  
6 whom reside in a rural health professional  
7 shortage area,

8 “(2) is not receiving during such year a scholar-  
9 ship under the National Health Service Corps Schol-  
10 arship Program or a loan repayment under the Na-  
11 tional Health Service Corps Loan Repayment Pro-  
12 gram,

13 “(3) is not fulfilling service obligations under  
14 such Programs, and

15 “(4) has not defaulted on such obligations.

16 “(c) MANDATORY SERVICE PERIOD.—For purposes  
17 of this section, the term ‘mandatory service period’ means  
18 the period of 60 consecutive calendar months beginning  
19 with the first month the taxpayer is a qualified primary  
20 health services provider.

21 “(d) DEFINITIONS AND SPECIAL RULES.—For pur-  
22 poses of this section—

23 “(1) BUREAU.—The term ‘Bureau’ means the  
24 Bureau of Health Care Delivery and Assistance,

1 Health Resources and Services Administration of the  
2 United States Public Health Service.

3 “(2) PHYSICIAN.—The term ‘physician’ has the  
4 meaning given to such term by section 1861(r) of  
5 the Social Security Act.

6 “(3) PHYSICIAN ASSISTANT; NURSE PRACTI-  
7 TIONER.—The terms ‘physician assistant’ and ‘nurse  
8 practitioner’ have the meanings given to such terms  
9 by section 1861(aa)(3) of the Social Security Act.

10 “(4) PRIMARY HEALTH SERVICES PROVIDER.—  
11 The term ‘primary health services provider’ means a  
12 provider of primary health services (as defined in  
13 section 330(b)(1) of the Public Health Service Act).

14 “(5) RURAL HEALTH PROFESSIONAL SHORTAGE  
15 AREA.—The term ‘rural health professional shortage  
16 area’ means—

17 “(A) a rural health professional shortage  
18 area (as defined in section 332(a)(1)(A) of the  
19 Public Health Service Act) in a rural area (as  
20 determined under section 1886(d)(2)(D) of the  
21 Social Security Act),

22 “(B) an area which is determined by the  
23 Secretary of Health and Human Services as  
24 equivalent to an area described in subparagraph

1 (A) and which is designated by the Bureau of  
 2 the Census as not urbanized, or

3 “(C) a community that is certified as un-  
 4 derserved by the Secretary for purposes of par-  
 5 ticipation in the rural health clinic program  
 6 under title XVIII of the Social Security Act.

7 “(e) RECAPTURE OF CREDIT.—

8 “(1) IN GENERAL.—If, during any taxable year,  
 9 there is a recapture event, then the tax of the tax-  
 10 payer under this chapter for such taxable year shall  
 11 be increased by an amount equal to the product of—

12 “(A) the applicable percentage, and

13 “(B) the aggregate unrecaptured credits  
 14 allowed to such taxpayer under this section for  
 15 all prior taxable years.

16 “(2) APPLICABLE RECAPTURE PERCENTAGE.—

17 “(A) IN GENERAL.—For purposes of this  
 18 subsection, the applicable recapture percentage  
 19 shall be determined from the following table:

<b>“If the recapture event occurs during:</b>	<b>The applicable recap- ture percentage is:</b>
Months 1–24 .....	100
Months 25–36 .....	75
Months 37–48 .....	50
Months 49–60 .....	25
Months 61 and thereafter .....	0.

20 “(B) TIMING.—For purposes of subpara-  
 21 graph (A), month 1 shall begin on the first day  
 22 of the mandatory service period.

1 “(3) RECAPTURE EVENT DEFINED.—

2 “(A) IN GENERAL.—For purposes of this  
3 subsection, the term ‘recapture event’ means  
4 the failure of the taxpayer to be a qualified pri-  
5 mary health services provider for any month  
6 during any mandatory service period.

7 “(B) CESSATION OF DESIGNATION.—The  
8 cessation of the designation of any area as a  
9 rural health professional shortage area after the  
10 beginning of the mandatory service period for  
11 any taxpayer shall not constitute a recapture  
12 event.

13 “(C) SECRETARIAL WAIVER.—The Sec-  
14 retary may waive any recapture event caused by  
15 extraordinary circumstances.

16 “(4) NO CREDITS AGAINST TAX.—Any increase  
17 in tax under this subsection shall not be treated as  
18 a tax imposed by this chapter for purposes of deter-  
19 mining the amount of any credit under subpart A,  
20 B, or D of this part.”.

21 (b) CLERICAL AMENDMENT.—The table of sections  
22 for subpart A of part IV of subchapter A of chapter 1  
23 of such Code is amended by inserting after the item relat-  
24 ing to section 25 the following new item:

“Sec. 25A. Primary health services providers.”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 the date of the enactment of this Act.

4 **SEC. 104. EXPENSING OF MEDICAL EQUIPMENT.**

5 (a) IN GENERAL.—Section 179 of the Internal Reve-  
6 nue Code of 1986 (relating to election to expense certain  
7 depreciable business assets) is amended—

8 (1) by striking paragraph (1) of subsection (b)  
9 and inserting the following:

10 “(1) DOLLAR LIMITATION.—

11 “(A) GENERAL RULE.—The aggregate cost  
12 which may be taken into account under sub-  
13 section (a) for any taxable year shall not exceed  
14 \$17,500.

15 “(B) RURAL HEALTH CARE PROPERTY.—  
16 In the case of rural health care property, the  
17 aggregate cost which may be taken into account  
18 under subsection (a) for any taxable year shall  
19 not exceed \$25,000, reduced by the amount  
20 otherwise taken into account under subsection  
21 (a) for such year.”; and

22 (2) by adding at the end of subsection (d) the  
23 following new paragraph:

24 “(11) RURAL HEALTH CARE PROPERTY.—For  
25 purposes of this section, the term ‘rural health care

1 property' means section 179 property used by a phy-  
2 sician (as defined in section 1861(r) of the Social  
3 Security Act) in the active conduct of such physi-  
4 cian's full-time trade or business of providing pri-  
5 mary health services (as defined in section 330(b)(1)  
6 of the Public Health Service Act) in a rural health  
7 professional shortage area (as defined in section  
8 25A(d)(5)).”.

9 (b) EFFECTIVE DATE.—The amendments made by  
10 this subsection shall apply to property placed in service  
11 in taxable years beginning after the date of the enactment  
12 of this Act.

13 **TITLE II—PUBLIC HEALTH SERV-**  
14 **ICE PROGRAMS REGARDING**  
15 **RURAL HEALTH CARE**

16 **Subtitle A—National Health**  
17 **Service Corps**

18 **PART 1—GENERAL CORPS PROGRAM**

19 **SEC. 201. DESIGNATION OF HEALTH PROFESSIONAL**  
20 **SHORTAGE AREAS.**

21 Section 332(b) of the Public Health Service Act (42  
22 U.S.C. 254e(b)) is amended by adding at the end the fol-  
23 lowing paragraph:

24 “(4) With respect to determining the need for  
25 health services through the indicators of need under

1 paragraphs (1) and (2), consideration of the follow-  
2 ing:

3 “(A) The number of individuals in the pop-  
4 ulation involved whose means of payment for  
5 health services is the program under title XVIII  
6 of the Social Security Act.

7 “(B) The number of individuals in the  
8 population whose means of payment for health  
9 services is the program under title XIX of such  
10 Act.

11 “(C) The number of individuals in the pop-  
12 ulation who are uninsured with respect to  
13 health policies or plans.

14 “(D) The percentage of the population  
15 constituted by the aggregate number of individ-  
16 uals under subparagraphs (A) through (C).

17 “(E) In the case of community-based phy-  
18 sicians who provide primary health services and  
19 who are accepting additional patients whose  
20 means of payment is through the program es-  
21 tablished in title XVIII or XIX of the Social  
22 Security Act, the percentage constituted by the  
23 ratio of the number of such physicians to the  
24 number of individuals in the population.”.

1 **SEC. 202. FUNDING FOR SPECIAL LOANS FOR FORMER**  
2 **CORPS MEMBERS TO ENTER PRIVATE PRAC-**  
3 **TICE IN HEALTH PROFESSIONAL SHORTAGE**  
4 **AREAS.**

5 (a) IN GENERAL.—

6 (1) ALLOCATION.—Section 338(a) of the Public  
7 Health Service Act (42 U.S.C. 254k(a)) is amended  
8 by adding at the end the following paragraph:

9 “(3) Of the amounts appropriated under paragraph  
10 (1) for a fiscal year, the Secretary shall reserve not less  
11 than 5 percent for carrying out section 338G.”.

12 (2) CONFORMING AMENDMENT.—Section  
13 338G(a) of the Public Health Service Act (42  
14 U.S.C. 254p(a)) is amended in the matter preceding  
15 paragraph (1) by striking “authorized under section  
16 338” and inserting “reserved under section  
17 338(a)(3)”.

18 (b) STUDY.—

19 (1) IN GENERAL.—During the fiscal years 1997  
20 through 2001, the Secretary shall conduct a study  
21 for the purpose of determining the extent to which  
22 the program under section 338G of the Public  
23 Health Service Act has been effective in increasing  
24 the number of health professionals who begin private  
25 practice in health professional shortage areas after  
26 terminating the membership of the individuals in the

1 National Health Service Corps. The study shall sep-  
2 arately state the number of such individuals who  
3 have completed a period of obligated service under  
4 the scholarship or loan repayment program under  
5 section 338A or 338B of such Act, respectively.

6 (2) DATE CERTAIN FOR COMPLETION.—Not  
7 later than February 1, 2002, the Secretary shall  
8 complete the study required in paragraph (1) and  
9 submit to the Congress a report describing the find-  
10 ings made in the study.

11 (3) DEFINITIONS.—For purposes of this sub-  
12 section:

13 (A) The term “health professional shortage  
14 area” has the meaning given such term in sec-  
15 tion 331(a)(3) of the Public Health Service Act.

16 (B) The term “Secretary” means the Sec-  
17 retary of Health and Human Services.

18 **SEC. 203. ASSIGNMENT OF CORPS PERSONNEL; PRIORITY**  
19 **FOR RURAL MEDICAL FACILITIES PROVIDING**  
20 **EXPERIENCE REGARDING HEALTH PROFES-**  
21 **SIONS AS CAREER CHOICE.**

22 Section 333A(a)(1)(B) of the Public Health Service  
23 Act (42 U.S.C. 254f–1(a)(1)(B)) is amended—

24 (1) in clause (iii), by striking “and” after the  
25 semicolon at the end;

1 (2) in clause (iv), by adding “and” after the  
2 semicolon at the end; and

3 (3) by adding at the end the following clause:

4 “(v) in the case of entities providing  
5 health services in rural areas, is operating  
6 a program for students of rural secondary  
7 schools or institutions of higher education  
8 under which program the students are pro-  
9 vided with opportunities to visit or work at  
10 rural hospitals (or other rural health facili-  
11 ties) for the purpose of gaining experience  
12 regarding a career in a field of primary  
13 health care;”.

14 **PART 2—SCHOLARSHIP AND LOAN REPAYMENT**  
15 **PROGRAMS**

16 **SEC. 211. PROVISION REGARDING INCREASE IN FUNDING.**

17 Section 338H(b)(1) of the Public Health Service Act  
18 (42 U.S.C. 254q(b)(1)) is amended—

19 (1) by striking “and” after “1991,”;

20 (2) by striking “through 2000” and inserting  
21 “through 1995,”; and

22 (3) by inserting before the period the following:  
23 “\$150,000,000 for fiscal year 1996, and such sums  
24 as may be necessary for each of the fiscal years  
25 1997 through 2001”.

1 **SEC. 212. PRIORITY FOR CERTAIN INDIVIDUALS FROM**  
2 **RURAL BACKGROUNDS.**

3 (a) SCHOLARSHIP PROGRAM.—Section 338A(d) of  
4 the Public Health Service Act (42 U.S.C. 254/(d)) is  
5 amended—

6 (1) in paragraph (2), in the matter preceding  
7 subparagraph (A), by inserting “, subject to para-  
8 graph (3),” after “shall”; and

9 (2) by adding at the end the following para-  
10 graph:

11 “(3)(A) Of individuals receiving priority under para-  
12 graph (2)(B), the Secretary shall give further priority to  
13 any individual who has resided in a rural area for a signifi-  
14 cant number of years and who has characteristics indicat-  
15 ing the individual will, after the period of obligated service,  
16 serve in a rural health professional shortage area.

17 “(B) Factors considered by the Secretary in deter-  
18 mining priorities for purposes of subparagraph (A) shall  
19 include consideration of whether the health professions  
20 school attended (or to be attended) by the individual in-  
21 volved is a school whose graduates include a significant  
22 number of health professionals who are serving in rural  
23 areas.”.

24 (b) LOAN REPAYMENT PROGRAM.—Section 338B(d)  
25 of the Public Health Service Act (42 U.S.C. 254/–1(d))  
26 is amended—

1 (1) in paragraph (2), in the matter preceding  
2 subparagraph (A), by inserting “, subject to para-  
3 graph (3),” after “shall”; and

4 (2) by adding at the end the following para-  
5 graph:

6 “(3)(A) Of individuals receiving priority under para-  
7 graph (2)(B), the Secretary shall give further priority to  
8 any individual who has resided in a rural area for a signifi-  
9 cant number of years and who has characteristics indicat-  
10 ing the individual will, after the period of obligated service,  
11 serve in a rural health professional shortage area.

12 “(B) Factors considered by the Secretary in deter-  
13 mining priorities for purposes of subparagraph (A) may  
14 include consideration of whether the health professions  
15 school attended by the individual involved is a school  
16 whose graduates include a significant number of health  
17 professionals who are serving in rural areas.”.

18 **PART 3—LOW-INTEREST LOANS REGARDING OB-**  
19 **LIGATED SERVICE IN UNDERSERVED RURAL**  
20 **AREAS**

21 **SEC. 221. ESTABLISHMENT OF PROGRAM OF LOANS.**

22 Subpart III of part D of title III of the Public Health  
23 Service Act (42 U.S.C. 254/ et seq.) is amended by adding  
24 at the end the following section:

1 **“SEC. 338M. LOAN FUND REGARDING OBLIGATED SERVICE**  
2 **IN UNDERSERVED RURAL AREAS.**

3 “(a) ESTABLISHMENT OF RURAL PRIMARY HEALTH  
4 CARE FUND.—There is established in the Treasury of the  
5 United States a fund to be known as the Rural Primary  
6 Health Care Fund (in this section referred to as the  
7 ‘Fund’). The Fund shall consist of such amounts as may  
8 be appropriated under subsection (f) (and such amounts  
9 as may be appropriated in subsections (d) and (e)(3)).  
10 Amounts appropriated to the Fund are available until ex-  
11 pended.

12 “(b) EXPENDITURES FROM FUND.—Amounts in the  
13 Fund are available to the Secretary for the purpose of car-  
14 rying out subsection (c), subject to the extent of amounts  
15 made available in advance in appropriations Acts.

16 “(c) LOW-INTEREST LOANS FOR ATTENDANCE AT  
17 HEALTH PROFESSIONS SCHOOLS; OBLIGATED SERVICE  
18 REGARDING UNDERSERVED RURAL AREAS.—

19 “(1) IN GENERAL.—

20 “(A) Subject to the provisions of this sub-  
21 section, the Secretary may, from amounts avail-  
22 able under subsection (b), make loans to assist  
23 individuals with the costs of attending health  
24 professions schools if the individuals agree to  
25 provide primary health services in an under-  
26 served rural area.

1           “(B) For purposes of this subsection, the  
2 term ‘underserved rural area’ means a rural  
3 area with a shortage of personal health services,  
4 except that such term does not include any  
5 health professional shortage area.

6           “(C) The Secretary shall issue criteria for  
7 determining whether an area is an underserved  
8 rural area.

9           “(2) CERTAIN REQUIREMENTS.—The Secretary  
10 may make a loan under paragraph (1) to an individ-  
11 ual only if the following conditions are met:

12           “(A) The individual is enrolled (or accept-  
13 ed for enrollment) as a full-time student in a  
14 course of study or program leading to a degree  
15 in medicine, osteopathic medicine, dentistry, or  
16 other health profession, and such course or pro-  
17 gram is offered by an accredited educational in-  
18 stitution (as determined by the Secretary) and  
19 is approved by the Secretary.

20           “(B) The individual is eligible for, or  
21 holds, an appointment as a commissioned offi-  
22 cer in the Regular or Reserve Corps of the  
23 Service or is eligible for selection for civilian  
24 service in the Corps.

1           “(C) The individual and the Secretary  
2           enter into the contract described in paragraph  
3           (3).

4           “(3) LOAN CONTRACT.—For purposes of para-  
5           graph (2)(C), the contract described in this para-  
6           graph is a written contract containing provisions as  
7           follows:

8           “(A) The Secretary agrees to provide the  
9           individual involved with loans under paragraph  
10          (1) for a number of academic years (not to ex-  
11          ceed 4 academic years) determined by the indi-  
12          vidual, during which period the individual is  
13          pursuing a course of study or program de-  
14          scribed in paragraph (2)(A).

15          “(B) The Secretary agrees to accept the  
16          individual into the Corps (or for equivalent  
17          service as otherwise provided in this subpart),  
18          subject to the availability of funds for carrying  
19          out sections 331 through 335.

20          “(C) The individual agrees as follows:

21                  “(i) To accept the loan.

22                  “(ii) To maintain enrollment in the  
23                  course or program involved until the indi-  
24                  vidual completes the course or program.

1           “(iii) While enrolled in the course or  
2           program, to maintain an acceptable level of  
3           academic standing (as determined under  
4           regulations of the Secretary by the edu-  
5           cational institution offering the course or  
6           program).

7           “(iv) To provide obligated service for  
8           purposes of paragraph (5).

9           “(v) To other provisions of this sub-  
10          section that are applicable to the individ-  
11          ual, including paragraph (8) (relating to  
12          the breach of the obligations of the individ-  
13          ual under this subsection).

14          “(D) A provision specifying the purposes  
15          for which the loan will be expended, subject to  
16          paragraph (6)(A), and the amount to be ex-  
17          pended for each of the purposes.

18          “(E) A provision that any financial obliga-  
19          tion of the United States arising out of the con-  
20          tract, and any obligation of the individual under  
21          the contract, is contingent upon funds being  
22          available under subsection (b) for loans under  
23          paragraph (1) and upon funds being available  
24          to carry out the purposes of sections 331  
25          through 335.

1           “(4) AMOUNT OF LOAN; INTEREST RATE.—The  
2 amount of a loan under paragraph (1) for an aca-  
3 demic year may not exceed \$35,000. The rate of in-  
4 terest on the unpaid principal balance of such a loan  
5 may not exceed 4 percent annually, and may not be  
6 less than 2 percent annually.

7           “(5) PERIOD OF OBLIGATED SERVICE.—For  
8 purposes of paragraph (3)(C)(iv), the obligated serv-  
9 ice of an individual is as follows:

10                   “(A) The service to be provided is the pro-  
11 vision of primary health services.

12                   “(B) The service is to be provided in an  
13 underserved rural area to which the individual  
14 is assigned pursuant to paragraph (10).

15                   “(C) The period of service is the greater of  
16 the following periods:

17                           “(i) 1 year.

18                           “(ii) 1 year for each 2 academic years  
19 for which loans under paragraph (1) are  
20 provided to the individual.

21                           “(iii) 1 year for each \$35,000 pro-  
22 vided in such loans to the individual.

23           “(6) EXPENDITURE OF LOAN.—

1           “(A) A loan under paragraph (1) to an in-  
2           dividual may be expended only for the following  
3           purposes:

4                   “(i) The tuition of the individual for  
5                   the course or program involved for the aca-  
6                   demic year involved.

7                   “(ii) Any other reasonable educational  
8                   expense, including fees, books, and labora-  
9                   tory expenses, incurred by the individual in  
10                  the academic year.

11                  “(iii) Reasonable living expenses in-  
12                  curred in attending the educational institu-  
13                  tion involved, not to exceed the amount in  
14                  effect under section 338A(g)(1)(B) for sti-  
15                  pends.

16           “(B) In the case of an educational institu-  
17           tion offering a course or program for which a  
18           loan under paragraph (1) is made, the Sec-  
19           retary may contract with the institution to  
20           make payments to the institution of the  
21           amounts provided for the purposes specified in  
22           clauses (i) and (ii) of subparagraph (A). The  
23           payments may be made to the institution with-  
24           out regard to section 3648 of the Revised Stat-  
25           utes (31 U.S.C. 529).

1           “(7) REPAYMENT OF LOAN; DEFERMENTS.—  
2           The provisions of subparagraphs (B) and (C) of sec-  
3           tion 705(a)(2) apply to loans under paragraph (1) to  
4           the same extent and in the same manner as such  
5           provisions apply to loans under subpart I of part A  
6           of title VII.

7           “(8) BREACH OF LOAN CONTRACT.—With re-  
8           spect to an individual who has entered into a written  
9           contract under paragraph (3) and who breaches the  
10          contract, an agreement under paragraph (3)(C)(v) is  
11          as follows:

12                   “(A) If, for any reason other than a reason  
13                   specified in subparagraph (B), the individual  
14                   fails to provide obligated service under para-  
15                   graph (5)—

16                           “(i) the balance due on the loan in-  
17                           volved will be immediately recomputed  
18                           from the date of issuance at an interest  
19                           rate of 12 percent per year, compounded  
20                           annually; and

21                           “(ii) the recomputed balance will be  
22                           paid not later than the expiration of the 3-  
23                           year period beginning on the date on which  
24                           the individual breaches the contract.

1           “(B) The individual is liable to the United  
2 States for the amount which has been paid to  
3 or on behalf of the individual under paragraph  
4 (1) if the individual—

5                   “(i) fails to maintain an acceptable  
6 level of academic standing for purposes of  
7 paragraph (3)(C)(iii);

8                   “(ii) is dismissed from the educational  
9 institution involved for disciplinary rea-  
10 sons;

11                   “(iii) voluntarily terminates the course  
12 or program involved before the completion  
13 of the course or program; or

14                   “(iv) fails to accept payment under  
15 the loan under paragraph (1), or instructs  
16 the educational institution not to accept  
17 payment, in whole or in part, of payments  
18 under the loan.

19           “(9) WAIVER OF OBLIGATIONS; LIMITATION RE-  
20 GARDING BANKRUPTCY.—

21           “(A) With respect to the obligation of an  
22 individual under a contract under paragraph  
23 (3), the Secretary shall provide for the partial  
24 or total waiver or suspension of the obligation  
25 whenever compliance by the individual is impos-

1           sible, or would involve extreme hardship to the  
2           individual, and if enforcement of the obligation  
3           with respect to the individual would be uncon-  
4           scionable.

5           “(B) An obligation of an individual under  
6           the contract under paragraph (3) to make pay-  
7           ments may be released by a discharge in bank-  
8           ruptcy under title 11, United States Code, only  
9           if such discharge is granted after the expiration  
10          of the 5-year period beginning on the first date  
11          that such payment is required (exclusive of any  
12          period in which in which the obligation to make  
13          payments is suspended), and only if the bank-  
14          ruptcy court finds that nondischarge of the obli-  
15          gation would be unconscionable.

16          “(10) ASSIGNMENT OF CORPS PERSONNEL PUR-  
17          SUANT TO OBLIGATED SERVICE.—The provisions of  
18          section 333 apply to the obligated service of individ-  
19          uals under paragraph (5) with respect to under-  
20          served rural areas to the same extent and in the  
21          same manner as such provisions apply to the obli-  
22          gated service of individuals under section 338A with  
23          respect to health professional shortage areas.

24          “(11) PRIORITIES IN MAKING LOANS.—

1           “(A) In making loans under paragraph  
2           (1), the Secretary shall give priority to any in-  
3           dividual (if otherwise a qualified applicant) who  
4           has resided in a rural area for a significant  
5           number of years and who has characteristics in-  
6           dicating the individual will, after the period of  
7           obligated service under paragraph (5), continue  
8           to serve in an underserved rural area.

9           “(B) Factors considered by the Secretary  
10          in determining priorities for purposes of sub-  
11          paragraph (A) shall include consideration of  
12          whether the health professions school attended  
13          (or to be attended) by the individual involved is  
14          a school whose graduates include a significant  
15          number of health professionals who serve in  
16          rural areas.

17          “(12) MISCELLANEOUS PROVISIONS.—Individ-  
18          uals who have entered into written contracts with  
19          the Secretary under this subsection, while under-  
20          going academic training, shall not be counted  
21          against any employment ceiling affecting the De-  
22          partment of Health and Human Services.

23          “(d) AVAILABILITY OF REPAYMENTS.—Payments of  
24          principal and interest by (or on behalf of) recipients of

1 loans under subsection (c)(1) are hereby appropriated to  
2 the Fund.

3 “(e) INVESTMENT.—

4 “(1) IN GENERAL.—The Secretary of the  
5 Treasury shall invest such amounts of the Fund as  
6 such Secretary determines are not required to meet  
7 current withdrawals from the Fund. Such invest-  
8 ments may be made only in interest-bearing obliga-  
9 tions of the United States. For such purpose, such  
10 obligations may be acquired on original issue at the  
11 issue price, or by purchase of outstanding obliga-  
12 tions at the market price.

13 “(2) SALE OF OBLIGATIONS.—Any obligation  
14 acquired by the Fund may be sold by the Secretary  
15 of the Treasury at the market price.

16 “(3) AVAILABILITY OF INCOME.—Any interest  
17 derived from obligations acquired by the Fund, and  
18 proceeds from any sale or redemption of such obliga-  
19 tions, are hereby appropriated to the Fund.

20 “(f) AUTHORIZATION OF APPROPRIATIONS.—For the  
21 purpose of providing amounts for the Fund, there are au-  
22 thorized to be appropriated \$20,000,000 for fiscal year  
23 1996, and such sums as may be necessary for each of the  
24 fiscal years 1997 and 1998.”.

1           **Subtitle B—Other Programs**  
2           **Regarding Rural Health Care**

3   **SEC. 231. STATE OFFICES OF RURAL HEALTH.**

4           (a) REQUIREMENT REGARDING RECRUITMENT OF  
5   PHYSICIANS.—Section 338J(c) of the Public Health Serv-  
6   vice Act (42 U.S.C. 254r(c)) is amended—

7           (1) in paragraph (2), by striking “and” after  
8   the semicolon at the end;

9           (2) in paragraph (3), by striking the period and  
10   inserting “; and”; and

11          (3) by adding at the end the following para-  
12   graph:

13          “(4) activities to recruit and retain physicians  
14   to serve in rural areas of the State.”.

15          (b) AUTHORIZATIONS OF APPROPRIATIONS.—

16          (1) IN GENERAL.—Section 338J(j)(1) of the  
17   Public Health Service Act (42 U.S.C. 254r(j)(1)) is  
18   amended—

19           (A) by striking “and” after “1992,”; and

20           (B) by inserting before the period the fol-  
21   lowing: “, and \$1,500,000 for each of the fiscal  
22   years 1996 through 1999”.

23          (2) CONFORMING AMENDMENT.—Section  
24   338J(k) of the Public Health Service Act (42 U.S.C.

1 254r(k)) is amended by striking “\$10,000,000” and  
2 inserting “\$16,000,000”.

3 **SEC. 232. AREA HEALTH EDUCATION CENTER PROGRAMS;**  
4 **AUTHORIZATION OF APPROPRIATIONS.**

5 Section 746(i)(1)(A) of the Public Health Service Act  
6 (42 U.S.C. 293j(i)(1)(A)) is amended—

7 (1) by striking “is authorized” and inserting  
8 “are authorized”; and

9 (2) by inserting before the period the following:  
10 “, and \$50,000,000 for each of the fiscal years 1996  
11 through 1998”.

12 **TITLE III—PROVISIONS RELAT-**  
13 **ING TO THE MEDICARE PRO-**  
14 **GRAM**

15 **SEC. 301. ELIMINATION OF APPLICATION OF GEOGRAPHIC**  
16 **ADJUSTMENT INDICES IN DETERMINING PAY-**  
17 **MENTS FOR PHYSICIANS’ SERVICES.**

18 (a) ELIMINATION OF ADJUSTMENT BEGINNING IN  
19 2000.—Section 1848 of the Social Security Act (42  
20 U.S.C. 1395w-4) is amended—

21 (1) in subsection (b)(1)(C), by striking “the ge-  
22 ographic” and inserting “with respect to services  
23 furnished before 2000, the geographic”;

1           (2) in subsection (e)(1)(A), by striking “the  
2       Secretary” and inserting “with respect to services  
3       furnished before 2000, the Secretary”; and

4           (3) in subsection (e)(2), by inserting “furnished  
5       in years before 2000” after “physicians’ services”.

6       (b) INCREASE IN PAYMENTS FOR SERVICES IN  
7       RURAL AREAS DURING TRANSITION PERIOD.—Section  
8       1848(e) of such Act (42 U.S.C. 1395w–4(e)) is amended  
9       by adding at the end the following new paragraph:

10           “(6) INCREASE IN VALUES FOR SERVICES IN  
11       RURAL AREAS.—

12           “(A) IN GENERAL.—During each transi-  
13       tion year (as described in subparagraph (B)),  
14       the Secretary shall—

15           “(i) increase the geographic index val-  
16       ues otherwise established under this sub-  
17       section for physicians’ services furnished  
18       during the year in any fee schedule area  
19       that is located in a rural area (as defined  
20       in section 1886(d)(2)(D)) by such equiva-  
21       lent percentage as the Secretary deter-  
22       mines necessary to assure that, effective  
23       with the first year that follows the final  
24       transition year, the index values estab-

1 lished under this subsection shall be the  
2 same for all fee schedule areas; and

3 “(ii) decrease the geographic index  
4 values otherwise established under this  
5 subsection for physicians’ services fur-  
6 nished during the year in any other fee  
7 schedule area by such percentage as the  
8 Secretary determines necessary to assure  
9 that the aggregate amount of payments  
10 made for physicians’ services under this  
11 section during the year does not exceed the  
12 amount that would have been made if this  
13 paragraph had not been in effect.

14 “(B) TRANSITION YEARS DESCRIBED.—In  
15 this paragraph, the ‘transition years’ are 1996,  
16 1997, 1998, and 1999.”.

17 **SEC. 302. EXEMPTION FROM ANTI-KICKBACK PENALTIES**  
18 **FOR CERTAIN FINANCIAL INCENTIVES PRO-**  
19 **VIDED TO PHYSICIANS BY RURAL HOSPITALS.**

20 (a) IN GENERAL.—Section 1128B(b)(3) of the Social  
21 Security Act (42 U.S.C. 1320a–7b(b)(3)) is amended—

22 (1) by striking “and” at the end of subpara-  
23 graph (D);

24 (2) by striking the period at the end of sub-  
25 paragraph (E) and inserting “; and”; and

1           (3) by adding at the end the following new sub-  
2 paragraph:

3           “(F) any payment made by a hospital located  
4 in a rural area (as defined in section 1886(d)(2)(D))  
5 to or on behalf of a physician as repayment of the  
6 physician’s medical education loans or as a subsidy  
7 to enable the physician to start a medical practice,  
8 but only if the payment is contingent upon the phy-  
9 sician—

10                   “(i) joining the hospital’s medical staff,

11                   “(ii) relocating to the area, or

12                   “(iii) providing physicians’ services to resi-  
13 dents of the area.”.

14           (b) EFFECTIVE DATE.—The amendments made by  
15 subsection (a) shall apply to payments made on or after  
16 January 1, 1996.

17 **SEC. 303. EXTENSION OF BONUS PAYMENT FOR PHYSICIAN**  
18 **SERVICES PROVIDED IN HEALTH PROFES-**  
19 **SIONAL SHORTAGE AREAS TO CERTAIN**  
20 **NONPHYSICIAN PROVIDERS AND OTHER**  
21 **MEDICARE-DEPENDENT PROVIDERS.**

22           (a) BONUS PAYMENT FOR SERVICES PROVIDED IN  
23 HEALTH PROFESSIONAL SHORTAGE AREAS.—Section  
24 1833(m) of the Social Security Act (42 U.S.C. 1395l(m))  
25 is amended—

1 (1) by striking “(m)” and inserting “(m)(1)”;

2 (2) by inserting “described in paragraph (2)”  
3 after “physicians’ services”;

4 (3) by striking “in an area” and all that follows  
5 through “shortage area,”;

6 (4) by striking “the physician” and inserting  
7 “the provider of the service”; and

8 (5) by adding at the end the following new  
9 paragraph:

10 “(2) In paragraph (1), physicians’ services described  
11 in this paragraph are services—

12 “(A) furnished in an area designated (under  
13 section 332(a)(1)(A) of the Public Health Service  
14 Act) as a health professional shortage area; or

15 “(B) furnished during a year by a provider with  
16 respect to whom not less than 75 percent of the pa-  
17 tients for whom the provider furnishes such services  
18 during the year are individuals—

19 “(i) who are entitled to benefits under this  
20 title;

21 “(ii) who are eligible for medical assistance  
22 under a State plan approved under title XIX;  
23 or

24 “(iii) with respect to whom the provider  
25 did not receive any payment for the service.”.

1 (b) EFFECTIVE DATE.—The amendments made by  
2 subsection (a) shall apply to services furnished on or after  
3 January 1, 1996.

4 **TITLE IV—TREATMENT OF STU-**  
5 **DENT LOANS FOR HEALTH**  
6 **PROFESSIONALS**

7 **SEC. 401. LOANS UNDER HIGHER EDUCATION ACT OF 1965;**  
8 **DEFERMENTS REGARDING POSTGRADUATE**  
9 **PRIMARY-CARE PROGRAMS IN UNDER-**  
10 **SERVED RURAL AREAS.**

11 (a) STAFFORD LOANS.—

12 (1) GSL LOANS.—Section 428(b)(1)(M) of the  
13 Higher Education Act of 1965 (20 U.S.C.  
14 1078(b)(1)(M)) is amended—

15 (A) in clause (ii), by striking “or” at the  
16 end;

17 (B) in clause (iii), by adding “or” after the  
18 semicolon at the end; and

19 (C) by adding at the end the following  
20 clause:

21 “(iv) during which the borrower is  
22 serving in an internship or residency pro-  
23 gram, in a health facility in a rural area,  
24 in preparation for practice in an area of  
25 primary care (including internal medicine,

1                   pediatrics, obstetrics/gynecology, family  
2                   medicine, and osteopathy);”.

3                   (2) FISL LOANS.—Section 427(a)(2)(C) of the  
4           Higher Education Act of 1965 (20 U.S.C.  
5           1077(a)(2)(C)) is amended—

6                   (A) in clause (ii), by striking “or” at the  
7                   end;

8                   (B) in clause (iii), by adding “or” after the  
9                   semicolon at the end; and

10                   (C) by inserting after clause (iii) the fol-  
11                   lowing clause:

12                               “(iv) during which the borrower is  
13                               serving in an internship or residency pro-  
14                               gram, in a health facility in a rural area,  
15                               in preparation for practice in an area of  
16                               primary care (including internal medicine,  
17                               pediatrics, obstetrics/gynecology, family  
18                               medicine, and osteopathy);”.

19                   (b) PERKINS LOANS.—Section 464(c)(2)(A) of the  
20           Higher Education Act of 1965 (20 U.S.C.  
21           1087dd(c)(2)(A)) is amended—

22                   (1) in clause (iii), by striking “or” at the end;

23                   (2) in clause (iv), by adding “or” after the  
24                   semicolon at the end; and

1           (3) by inserting after clause (iv) the following  
2       clause:

3                   “(v) during which the borrower is  
4           serving in an internship or residency pro-  
5           gram, in a health facility in a rural area,  
6           in preparation for practice in an area of  
7           primary care (including internal medicine,  
8           pediatrics, obstetrics/gynecology, family  
9           medicine, and osteopathy);”.

10       (c) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply on and after the date of the enact-  
12 ment of this Act with respect to loans made under the  
13 Higher Education Act of 1965 before, on, or after such  
14 date.

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